

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MISSAUKEE COUNTY	County MISSAUKEE
Fiscal Year End DECEMBER 31, 2006	Opinion Date JUNE 26, 2007	Date Audit Report Submitted to State June 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 989 799-9580	
Street Address 5800 GRATIOT, SUITE 201, PO BOX 2025		City SAGINAW	State MI
Zip 48605			
Authorizing CPA Signature 		Printed Name GERALD J. DESLOOVER, CPA	License Number 1101007126

# **MISSAUKEE COUNTY, MICHIGAN**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
December 31, 2006**

# MISSAUKEE COUNTY, MICHIGAN

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

*An Independent Member of Baker Tilly International*

## ***INDEPENDENT AUDITORS' REPORT***

June 26, 2007

Board of Commissioners  
Missaukee County  
Lake City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Missaukee County, Michigan** (the "County"), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the *District Health Department Number 10*, a discrete component unit, which represents 8 percent and 42 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the *District Health Department Number 10*, a discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Missaukee County, Michigan**, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2007 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Missaukee County, Michigan's**, basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of *Missaukee County, Michigan*, (the "County") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$9,907,390 (*net assets*). Of this amount, \$6,827,612 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$873,876.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,030,542, an increase of \$535,652 in comparison with the prior year. 39% percent of this total amount, or \$1,168,130, is *available for spending* at the government's discretion (*unreserved and undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was a negative \$31,962, or 0 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$126,000 during the current fiscal year. The key factor in this decrease was the annual payments on the bonds and there were no new general obligation bonds issued.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.



The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety (including the jail), health and welfare, public works, and recreation and culture. The business-type activities of the County are related to the collection of delinquent property taxes.

The government-wide financial statements include not only Missaukee County itself (known as the primary government), but also the legally separate Missaukee County Road Commission, District Health Department No. 10 and Missaukee County Commission on Aging, for which Missaukee County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Emergency Services, Revenue Sharing Reserve, Housing, and Sheriff Special Forces funds, each of which are considered to be major funds. Data from the other 27 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds.

The basic governmental fund financial statements can be found on pages 18-28 of this report.

**Proprietary funds.** The County has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax collections.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Unpledged, 2003 Tax Levy, 2004 Tax Levy, 2005 Tax Levy, and Missaukee Sanitary Drainage District No. 2 Enterprise Funds which are considered to be major funds. Individual fund data for nonmajor enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-54 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 55-76 of this report, with the single audit section immediately following.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Missaukee County, assets exceeded liabilities by \$9,907,390 at the close of fiscal 2006.

One of the largest portions of the County's net assets (31%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net assets* (69% or \$6,827,612) may be used to meet the government's ongoing obligations to citizens and creditors.

### Missaukee County's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 4,839,940	\$ 5,714,714	\$3,904,809	\$ 3,000,371	8,744,749	\$ 8,715,085
Capital assets, net	<u>3,085,010</u>	<u>3,054,545</u>	<u>-</u>	<u>-</u>	<u>3,085,010</u>	<u>3,054,545</u>
Total assets	<u>7,924,950</u>	<u>8,769,259</u>	<u>3,904,809</u>	<u>3,000,371</u>	<u>11,829,759</u>	<u>11,769,630</u>
Long-term debt, net of current portion	877	954,527	736,337	-	737,214	954,527
Other liabilities	<u>1,167,069</u>	<u>1,755,957</u>	<u>18,086</u>	<u>21,545</u>	<u>1,185,155</u>	<u>1,777,502</u>
Total liabilities	<u>1,167,946</u>	<u>2,710,484</u>	<u>754,423</u>	<u>21,545</u>	<u>1,922,369</u>	<u>2,732,029</u>
Net assets						
Invested in capital assets, net of related debt	3,079,778	3,043,035	-	-	3,079,778	3,043,035
Unrestricted	<u>3,677,226</u>	<u>3,015,740</u>	<u>3,150,386</u>	<u>2,978,826</u>	<u>6,827,612</u>	<u>5,994,566</u>
<b>Total net assets</b>	<b><u>\$ 6,757,004</u></b>	<b><u>\$6,058,775</u></b>	<b><u>\$3,150,386</u></b>	<b><u>\$ 2,978,826</u></b>	<b><u>\$ 9,907,390</u></b>	<b><u>\$ 9,037,601</u></b>

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

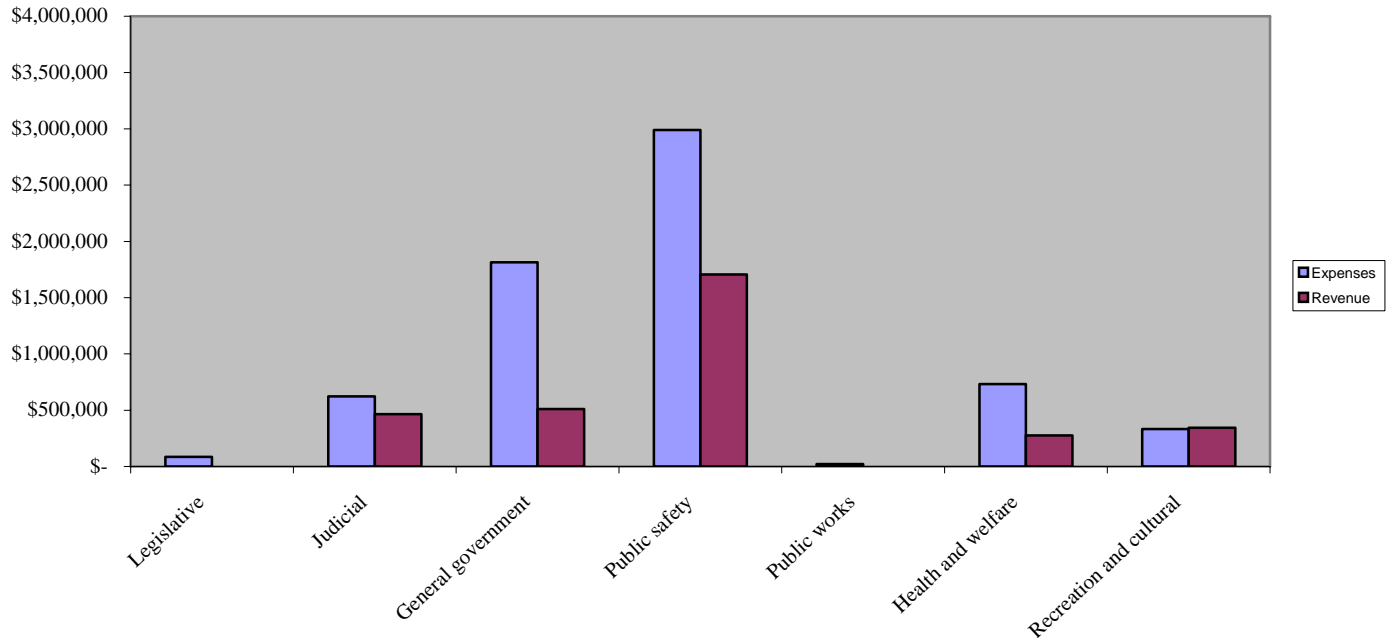
The government's net assets increased by \$873,876 during the current fiscal year. This increase was caused primarily as a result of the change in the tax collection date as required by state law as reflected in the Revenue Sharing Reserve fund.

## Missaukee County's Changes in Net Assets

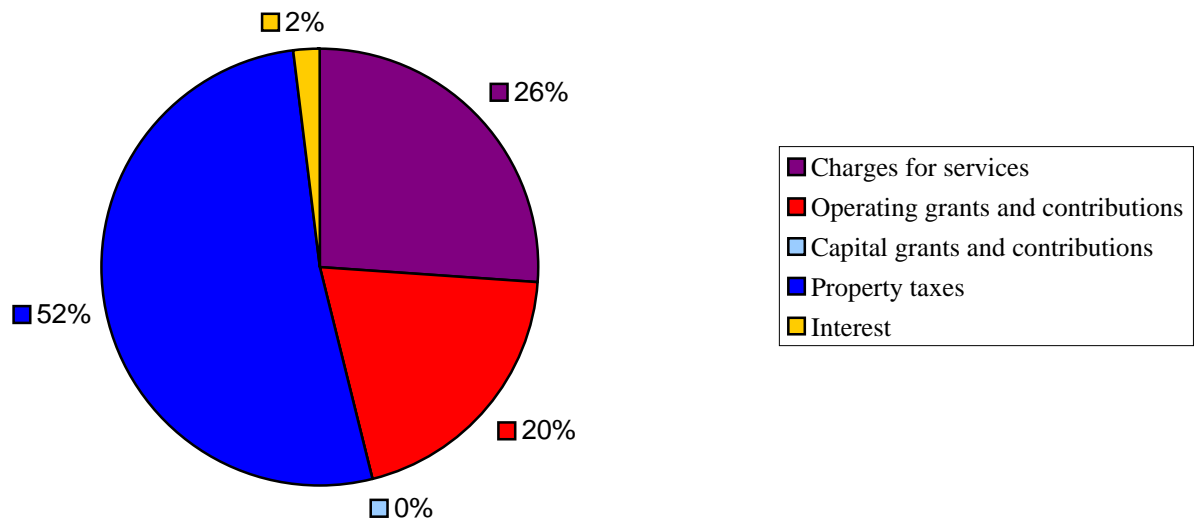
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 1,872,784	\$ 1,757,676	\$273,424	\$ 154,790	\$2,146,208	\$ 1,912,466
Operating grants and contrib.	1,430,040	1,500,285	50,673	-	1,480,713	1,500,285
Capital grants and contrib.	-	6,899	-	-	-	6,899
General revenue						
Property taxes	3,706,486	3,422,914	-	-	3,706,486	3,422,914
Other	<u>-</u>	<u>54,979</u>	<u>-</u>	<u>40,775</u>	<u>-</u>	<u>95,754</u>
Total revenue	<u>7,009,310</u>	<u>6,742,753</u>	<u>324,097</u>	<u>195,565</u>	<u>7,333,407</u>	<u>6,938,318</u>
<b>Expenses</b>						
Legislative	85,372	88,256	-	-	85,372	88,256
Judicial	621,520	671,298	-	-	621,520	671,298
General government	1,813,756	1,369,732	-	-	1,813,756	1,369,732
Public safety	2,989,523	3,091,621	-	-	2,989,523	3,091,621
Public works	21,342	65,241	-	-	21,342	65,241
Health and welfare	732,006	653,500	-	-	732,006	653,500
Recreation and cultural	332,675	206,316	-	-	332,675	206,316
Delinquent tax revolving	-	-	34,409	7,682	34,409	7,682
Public works	<u>-</u>	<u>-</u>	<u>50,673</u>	<u>-</u>	<u>50,673</u>	<u>-</u>
Total expenses	<u>6,596,194</u>	<u>6,145,964</u>	<u>85,082</u>	<u>7,682</u>	<u>6,681,276</u>	<u>6,153,646</u>
Increase (decrease) in net assets before transfers	(3,293,370)	596,789	239,015	187,883	(3,054,355)	784,672
Transfers	<u>145,312</u>	<u>254,700</u>	<u>(145,312)</u>	<u>(254,700)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>702,316</u>	<u>851,489</u>	<u>171,560</u>	<u>(66,817)</u>	<u>873,876</u>	<u>784,672</u>
Net assets – beginning of year	<u>6,054,688</u>	<u>5,207,286</u>	<u>2,978,826</u>	<u>3,045,643</u>	<u>9,033,514</u>	<u>8,252,929</u>
<b>Net assets – end of year</b>	<b><u>\$ 6,757,004</u></b>	<b><u>\$6,058,775</u></b>	<b><u>\$3,150,386</u></b>	<b><u>\$ 2,978,826</u></b>	<b><u>\$ 9,907,390</u></b>	<b><u>\$ 9,037,601</u></b>

**Governmental activities.** Governmental activities increased the County's net assets by \$702,316. The key element of this increase is that property taxes increased by approximately \$283,570 (10 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.

### Expenses and Program Revenues - Governmental Activities

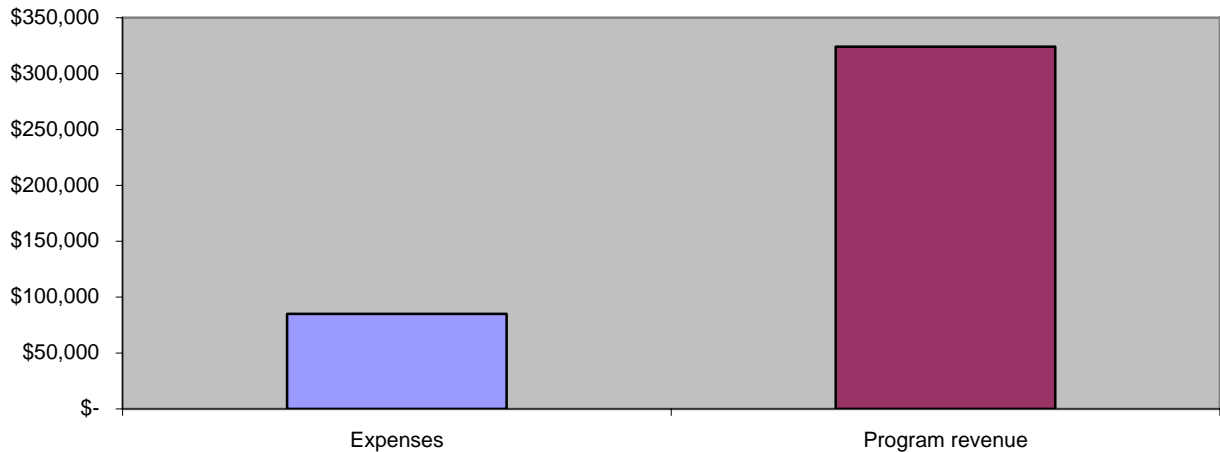


### Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities increased the County's net assets by \$171,560. The key element of this increase is an increase in charges for services because of increased collections from delinquent tax payers and sales of delinquent properties.

### Expenses and Program Revenues - Business-type Activities



### Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,030,542, an increase of \$535,652 in comparison with the prior year. Approximately 39 percent of this total amount or \$1,168,130 constitutes *unreserved and undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$31,962) while total fund balance was \$68,902. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 0 percent of total general fund expenditures and transfers out.

The fund balance of the County's General fund decreased by \$143,277 during the current fiscal year. This is primarily attributable to lower revenues and transfers in than expected.

The Emergency Services fund had a decrease in fund balance for the current year of \$75,613 for an ending total of \$553,993. This decrease was primarily the result of more capital outlay expenditures than expected.

The Revenue Sharing Reserve fund had an increase in fund balance for the current year of \$443,076. This was a result of monies from the general fund tax levy being transferred in per State of Michigan guidelines.

The Housing fund had a decrease in fund balance of \$50.

The Sheriff Special Forces fund had a decrease in fund balance for the current year of \$35,613 for an ending total of \$310,122.

***Proprietary funds.*** The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

### **General Fund Budgetary Highlights**

The largest increase in the budget during the year was an increase in increase in interest revenues of \$45,000. This was primarily due to an aggressive investment policy by the County Treasurer.

During the year, general fund revenues were less than budgetary estimates and expenditures were less than originally budgeted. The net differences resulted in an actual decrease in fund balance of \$143,277 compared to the budgeted \$1,540 change in fund balance.

## Capital Asset and Debt Administration

**Capital assets.** The County's investment in capital assets for its governmental type activities as of December 31, 2006, amounted to \$3,085,010 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 8 percent. The County's business-type activities have no capital assets.

Major capital asset events during the current fiscal year included various remodeling projects, and ambulance and other vehicle purchases totaling \$314,880.

### Missaukee County's Capital Assets (net of depreciation)

	<b><u>Governmental Activities</u></b>
Land	\$ 353,423
Buildings	2,150,212
Equipment	182,094
Vehicles	<u>399,281</u>
<b>Total</b>	<b><u>\$ 3,085,010</u></b>

Additional information on the County's capital assets can be found in Note III B on pages 43-45 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total debt outstanding of \$845,392. Of this amount, \$748,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents a note payable and compensated absences.

### Missaukee County's Outstanding Debt General Obligation Bonds

	<b><u>Business-type Activities</u></b>
General obligation bonds	<u>\$ 748,000</u>

The County's total debt decreased by \$130,678 (13 percent) during the current fiscal year. No new debt was issued during the year ended December 31, 2006.

The County currently does not have a bond rating.



State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$47,147,761, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note III D on pages 46-47 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's budget for the 2007 fiscal year:

- Labor contracts with the POLC Union expired in 2005 and the subsequent pay increases were budgeted for those employees.
- There was a 30% growth in Missaukee County population with the 2000 census and subsequent 2005 updated census projection and the budget was increased accordingly, taking into account the mandatory services necessary to take care of this growth.
- The soaring cost of health care premiums were reviewed and adjustments made accordingly.
- Increases in liability insurance, workmen's compensation and M.E.S.C. in the prior year have been reviewed and the budget was prepared with those insurances being bid out for a reduced premium. The unemployment will be decreasing due to an improved year for payments.
- Due to the shifting by the State of the collection of property taxes at the local level and the uncertainty of future revenue sharing payments and other delayed state payments, adjustments were made to work around the temporary cash flow fluctuations that these cause.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missaukee County Clerk, P.O. Box 800, Lake City, MI 49651.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,545,453	\$ 2,398,978	\$ 4,944,431
Receivables, net			
Accounts	880,614	-	880,614
Taxes	1,409,721	416,194	1,825,915
Lease	-	754,423	754,423
Interest	-	46,654	46,654
Due from other governments	183,288	8,560	191,848
Internal balances	(280,000)	280,000	-
Prepaid items and other assets	100,864	-	100,864
Land	353,423	-	353,423
Capital assets, net	2,731,587	-	2,731,587
<b>Total assets</b>	<b>7,924,950</b>	<b>3,904,809</b>	<b>11,829,759</b>
<b>Liabilities</b>			
Accounts payable	147,789	-	147,789
Accrued expenses	41,624	-	41,624
Accrued interest payable	-	6,423	6,423
Advances from other governments	-	-	-
Unearned revenue	881,141	-	881,141
Long-term liabilities			
Due within one year	96,515	11,000	107,515
Due in more than one year	877	737,000	737,877
<b>Total liabilities</b>	<b>1,167,946</b>	<b>754,423</b>	<b>1,922,369</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,079,778	-	3,079,778
Unrestricted	3,677,226	3,150,386	6,827,612
<b>Total net assets</b>	<b>\$ 6,757,004</b>	<b>\$ 3,150,386</b>	<b>\$ 9,907,390</b>

The accompanying notes are an integral part of these financial statements.

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Health Department No. 10	Component Units	
	Road Commission	Commission on Aging
\$ 702,998	\$ 505,788	\$ 24,758
77,037	2,386	43,759
-	-	193,857
-	-	-
-	-	-
676,085	850,316	2,113
-	-	-
155,136	295,209	-
-	650	-
358,339	20,903,405	-
1,969,595	22,557,754	264,487
248,972	93,322	3,945
306,761	18,072	2,009
-	-	-
-	116,441	-
184,835	-	228,676
-	14,437	-
467,098	129,932	-
1,207,666	372,204	234,630
358,339	20,904,055	-
403,590	1,281,495	29,857
\$ 761,929	\$ 22,185,550	\$ 29,857

**MISSAUKEE COUNTY, MICHIGAN**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
Legislative	\$ 85,372	\$ -	\$ -	\$ -	\$ (85,372)
Judicial	621,520	296,532	169,393	-	(155,595)
General government	1,813,756	402,077	108,122	-	(1,303,557)
Public safety	2,989,523	829,222	876,314	-	(1,283,987)
Public works	21,342	-	-	-	(21,342)
Health and welfare	732,006	-	276,211	-	(455,795)
Recreation and cultural	332,675	344,953	-	-	12,278
Total governmental activities	<u>6,596,194</u>	<u>1,872,784</u>	<u>1,430,040</u>	<u>-</u>	<u>(3,293,370)</u>
Business-type activities					
Delinquent tax revolving	34,409	273,424	-	-	239,015
Public works	50,673	-	50,673	-	-
Total business-type activities	<u>85,082</u>	<u>273,424</u>	<u>50,673</u>	<u>-</u>	<u>239,015</u>
<b>Total primary government</b>	<u>\$ 6,681,276</u>	<u>\$ 2,146,208</u>	<u>\$ 1,480,713</u>	<u>\$ -</u>	<u>\$ (3,054,355)</u>
<b>Component units</b>					
Health Department No. 10	12,221,568	3,646,923	8,706,075	-	131,430
Road Commission	4,633,341	992,436	2,928,079	2,682,564	1,969,738
Commission on Aging	509,596	193,618	83,249	-	(232,729)
<b>Total component units</b>	<u>\$ 17,364,505</u>	<u>\$ 4,832,977</u>	<u>\$ 11,717,403</u>	<u>\$ 2,682,564</u>	<u>\$ 1,868,439</u>

Continued...

The accompanying notes are an integral part of these financial statements.

# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (3,293,370)	\$ 239,015	\$ (3,054,355)
General revenues			
Property taxes	3,706,486	-	3,706,486
Unrestricted investment earnings	143,888	77,857	221,745
Gain on sale of assets	-	-	-
Other revenue	-	-	-
Internal transfers	145,312	(145,312)	-
<b>Total general revenues and transfers</b>	<b>3,995,686</b>	<b>(67,455)</b>	<b>3,928,231</b>
<b>Change in net assets</b>	<b>702,316</b>	<b>171,560</b>	<b>873,876</b>
Net assets, beginning of year, as restated	6,054,688	2,978,826	9,033,514
<b>Net assets, end of year</b>	<b>\$ 6,757,004</b>	<b>\$ 3,150,386</b>	<b>\$ 9,907,390</b>

The accompanying notes are an integral part of these financial statements.

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Health Department No. 10	Component units	
	Road Commission	Commission on Aging
\$ 131,430	\$ 1,969,738	\$ (232,729)
-	-	209,817
36,750	38,695	2,451
-	140,459	-
2,631	-	-
-	-	-
39,381	179,154	212,268
170,811	2,148,892	(20,461)
591,118	20,036,658	50,318
\$ 761,929	\$ 22,185,550	\$ 29,857

Concluded



## **FUND FINANCIAL STATEMENTS**

# MISSAUKEE COUNTY, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2006

	General	Emergency Services	Revenue Sharing Reserve	Housing	Sheriff Special Forces	Other Governmental Funds	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 177,143	\$ 438,915	\$ 552,013	\$ 19,784	\$ 401,400	\$ 956,198	\$ 2,545,453
Receivables							
Accounts	-	152,216	-	-	-	-	152,216
Loans	-	-	-	652,817	-	-	652,817
Taxes	65,383	190,508	677,967	-	475,863	75,581	1,485,302
Due from other funds	19,723	-	175,000	-	-	10,000	204,723
Due from other governments	132,579	-	-	37,689	-	13,020	183,288
Prepaid items and other assets	100,864	-	-	-	-	-	100,864
<b>Total assets</b>	<u>\$ 495,692</u>	<u>\$ 781,639</u>	<u>\$ 1,404,980</u>	<u>\$ 710,290</u>	<u>\$ 877,263</u>	<u>\$ 1,054,799</u>	<u>\$ 5,324,663</u>
<b>Liabilities and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 39,452	\$ 166	\$ -	\$ 46,915	\$ -	\$ 61,256	\$ 147,789
Accrued liabilities	31,400	2,733	-	-	5,658	1,833	41,624
Due to other funds	175,000	-	-	-	-	309,723	484,723
Deferred revenue	180,938	224,747	-	652,817	561,483	-	1,619,985
<b>Total liabilities</b>	<u>426,790</u>	<u>227,646</u>	<u>-</u>	<u>699,732</u>	<u>567,141</u>	<u>372,812</u>	<u>2,294,121</u>
<b>Fund balances</b>							
Reserved	100,864	-	1,404,980	-	-	295,036	1,800,880
Unreserved							
Designated for subsequent years' expenditures	-	16,128	-	-	36,811	8,593	61,532
Undesignated (deficit)	(31,962)	537,865	-	10,558	273,311	-	789,772
Undesignated, reported in nonmajor Special revenue funds						616,716	616,716
Capital projects funds	-	-	-	-	-	(238,358)	(238,358)
<b>Total fund balances (deficit)</b>	<u>68,902</u>	<u>553,993</u>	<u>1,404,980</u>	<u>10,558</u>	<u>310,122</u>	<u>681,987</u>	<u>3,030,542</u>
<b>Total liabilities and fund balances</b>	<u>\$ 495,692</u>	<u>\$ 781,639</u>	<u>\$ 1,404,980</u>	<u>\$ 710,290</u>	<u>\$ 877,263</u>	<u>\$ 1,054,799</u>	<u>\$ 5,324,663</u>

The accompanying notes are an integral part of these financial statements.

# MISSAUKEE COUNTY, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2006

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### Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Fund balances - total governmental funds	\$	3,030,542
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	5,294,598
Subtract: accumulated depreciation	(2,209,588)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: taxes deferred revenues	86,027
Add: other loan receivable deferred revenues	652,817

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: capital lease payable	(5,232)
Subtract: compensated absences	(92,160)

<b>Net assets of governmental activities</b>	<b>\$</b>	<b>6,757,004</b>
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Concluded

The accompanying notes are an integral part of these financial statements.

# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Emergency Services	Revenue Sharing Reserve	Housing	Sheriff Special Forces	Other Governmental Funds	Total
<b>Revenues</b>							
Property taxes	\$ 2,194,484	\$ 213,714	\$ 677,967	\$ -	\$ 534,294	\$ -	\$ 3,620,459
Licenses and permits	12,404	-	-	-	-	-	12,404
Intergovernmental revenue							
Federal	92,939	-	-	53,560	2,984	288,185	437,668
State	359,380	-	-	-	-	223,141	582,521
Local	37,750	-	-	-	-	354,879	392,629
Charges for services	324,685	323,011	-	-	-	608,644	1,256,340
Fines and forfeitures	-	-	-	-	-	203,958	203,958
Reimbursements	104,930	-	-	-	-	-	104,930
Interest	54,495	23,501	15,735	-	16,992	33,165	143,888
Rental revenue	79,449	-	-	-	-	-	79,449
Other revenue	136,721	3,866	-	21,729	15,136	9,979	187,431
<b>Total revenues</b>	<b>3,397,237</b>	<b>564,092</b>	<b>693,702</b>	<b>75,289</b>	<b>569,406</b>	<b>1,721,951</b>	<b>7,021,677</b>
<b>Expenditures</b>							
Current expenditures							
Legislative	85,372	-	-	-	-	-	85,372
Judicial	611,703	-	-	-	-	11,387	623,090
General government	1,032,457	-	-	-	-	16,086	1,048,543
Public safety	972,932	470,750	-	-	478,088	902,452	2,824,222
Public works	21,342	-	-	-	-	-	21,342
Health and welfare	216,594	-	-	75,339	-	405,025	696,958
Recreation and cultural	-	-	-	-	-	260,468	260,468
Other functions	733,306	-	-	-	-	-	733,306
Capital outlay	6,746	168,955	-	-	55,705	106,630	338,036
<b>Total expenditures</b>	<b>3,680,452</b>	<b>639,705</b>	<b>-</b>	<b>75,339</b>	<b>533,793</b>	<b>1,702,048</b>	<b>6,631,337</b>
Revenue over (under) expenditures:	(283,215)	(75,613)	693,702	(50)	35,613	19,903	390,340
<b>Other financing sources (uses)</b>							
Transfers in	395,938	-	-	-	-	380,830	776,768
Transfers out	(256,000)	-	(250,626)	-	-	(124,830)	(631,456)
<b>Total other financing sources (uses)</b>	<b>139,938</b>	<b>-</b>	<b>(250,626)</b>	<b>-</b>	<b>-</b>	<b>256,000</b>	<b>145,312</b>
<b>Net change in fund balances</b>	<b>(143,277)</b>	<b>(75,613)</b>	<b>443,076</b>	<b>(50)</b>	<b>35,613</b>	<b>275,903</b>	<b>535,652</b>
Fund balances, beginning of year as restated	212,179	629,606	961,904	10,608	274,509	406,084	2,494,890
<b>Fund balances, end of year</b>	<b>\$ 68,902</b>	<b>\$ 553,993</b>	<b>\$ 1,404,980</b>	<b>\$ 10,558</b>	<b>\$ 310,122</b>	<b>\$ 681,987</b>	<b>\$ 3,030,542</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**MISSAUKEE COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Fund  
to the Statement of Activities**

Net change in fund balances - total governmental funds	\$	535,652
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	314,880
Subtract: depreciation expense	(269,331)
Subtract: loss on disposal of capital assets	(15,084)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred revenue	131,521
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Note proceeds provide current financial resources to governmental funds in the period issued, but issuing notes increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: current year principal payments	6,278
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences	(1,600)
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<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>702,316</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 2,215,536	\$ 2,202,100	\$ 2,194,484	\$ (7,616)
Licenses and permits	12,675	13,290	12,404	(886)
Intergovernmental				
Federal	82,759	92,163	92,939	776
State	340,672	376,508	359,380	(17,128)
Local	32,500	37,600	37,750	150
Charges for services	348,159	326,890	324,685	(2,205)
Reimbursements	100,000	100,000	104,930	4,930
Interest	15,000	60,000	54,495	(5,505)
Rental revenue	80,350	80,350	79,449	(901)
Other revenue	161,250	138,550	136,721	(1,829)
<b>Total revenues</b>	<b>3,388,901</b>	<b>3,427,451</b>	<b>3,397,237</b>	<b>(30,214)</b>
<b>Legislative</b>				
Board of Commissioners	95,344	85,350	85,372	22
<b>Judicial</b>				
Circuit court	381,085	409,935	414,190	4,255
District court	106,033	107,033	98,340	(8,693)
Jury board	2,050	2,125	2,099	(26)
Probate Court	98,676	99,164	97,074	(2,090)
<b>Total judicial</b>	<b>587,844</b>	<b>618,257</b>	<b>611,703</b>	<b>(6,554)</b>
<b>General government</b>				
Elections	200	400	622	222
Clerk/Register of deeds	170,625	178,373	177,711	(662)
Equalization	117,310	125,020	125,016	(4)
Prosecuting Attorney	171,444	181,602	180,840	(762)
Treasurer	108,066	103,556	106,989	3,433
Cooperative extension	93,039	95,539	95,151	(388)
Record copy	69,000	71,100	71,049	(51)
Building and grounds	120,249	144,399	143,277	(1,122)
Soil conservation	27,987	24,435	24,434	(1)
Survey and remonumentatin	47,589	75,500	72,320	(3,180)
Special appropriations	1,000	35,048	35,048	-
<b>Total general government</b>	<b>926,509</b>	<b>1,034,972</b>	<b>1,032,457</b>	<b>(2,515)</b>

The accompanying notes are an integral part of these financial statements.

# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Public safety</b>				
Sheriff	\$ 183,155	\$ 186,425	\$ 186,420	\$ (5)
Marine law enforcement	10,624	15,194	14,934	(260)
Snowmobile patrol	8,796	18,056	18,012	(44)
Road patrol	71,551	81,220	81,061	(159)
CJ training grant	4,949	7,625	7,607	(18)
Gasoline	2,500	7,500	7,481	(19)
Jail	537,718	538,118	535,349	(2,769)
Inmate work program	11,659	12,559	12,219	(340)
Planning commission	28,191	35,475	35,276	(199)
Public safety grant expenditures	-	22,403	22,397	(6)
Animal control	500	126	126	-
ORV enforcement	16,089	14,289	14,287	(2)
TNT grant match	30,000	31,000	37,763	6,763
<b>Total public safety</b>	<u>905,732</u>	<u>969,990</u>	<u>972,932</u>	<u>(3,821)</u>
<b>Public works</b>				
Recycling center	<u>15,000</u>	<u>20,200</u>	<u>21,342</u>	<u>1,142</u>
<b>Health and welfare</b>				
District health department	142,884	142,884	137,592	(5,292)
Northwest senior resources	3,013	3,013	3,013	-
Mental health	35,272	35,272	35,272	-
Substance abuse	11,126	18,324	18,324	-
Medical Examiner	10,500	15,300	15,275	(25)
Veterans Affairs	8,500	7,300	7,118	(182)
<b>Total health and welfare</b>	<u>211,295</u>	<u>222,093</u>	<u>216,594</u>	<u>(5,499)</u>
<b>Other functions</b>				
Insurance and bonds	<u>781,075</u>	<u>789,975</u>	<u>733,306</u>	<u>(56,669)</u>
<b>Capital outlay</b>	<u>500</u>	<u>4,128</u>	<u>6,746</u>	<u>2,618</u>
<b>Total expenditures</b>	<u>3,523,299</u>	<u>3,744,965</u>	<u>3,680,452</u>	<u>(71,276)</u>

The accompanying notes are an integral part of these financial statements.

# **MISSAUKEE COUNTY, MICHIGAN**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues over (under) expenditures</b>	\$ (134,398)	\$ (317,514)	\$ (283,215)	\$ 41,062
<b>Other financing sources (uses)</b>				
Transfer in	427,816	571,974	395,938	(176,036)
Transfer out	(290,048)	(256,000)	(256,000)	-
<b>Total other financing sources (uses)</b>	137,768	315,974	139,938	(176,036)
<b>Net change in fund balance</b>	3,370	(1,540)	(143,277)	(141,737)
Fund balance, beginning of year, as restated	212,179	212,179	212,179	-
<b>Fund balance, end of year</b>	<u>\$ 215,549</u>	<u>\$ 210,639</u>	<u>\$ 68,902</u>	<u>\$ (141,737)</u>

The accompanying notes are an integral part of these financial statements.



# **MISSAUKEE COUNTY, MICHIGAN**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL EMERGENCY SERVICES SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 212,366	\$ 214,000	\$ 213,714	\$ (286)
Charges for services	225,000	325,000	323,011	(1,989)
Interest	3,000	30,000	23,501	(6,499)
Other revenue	1,500	3,000	3,866	866
<b>Total revenues</b>	<u>441,866</u>	<u>572,000</u>	<u>564,092</u>	<u>(7,908)</u>
<b>Expenditures</b>				
Public safety	490,147	496,747	470,750	(25,997)
Capital outlay	40,000	140,000	168,955	28,955
<b>Total expenditures</b>	<u>530,147</u>	<u>636,747</u>	<u>639,705</u>	<u>2,958</u>
Net change in fund balance	(88,281)	(64,747)	(75,613)	(10,866)
Fund balance, beginning of year	<u>629,606</u>	<u>629,606</u>	<u>629,606</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 541,325</u>	<u>\$ 564,859</u>	<u>\$ 553,993</u>	<u>\$ (10,866)</u>

The accompanying notes are an integral part of these financial statements.

# **MISSAUKEE COUNTY, MICHIGAN**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL REVENUE SHARING RESERVE SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 677,967	\$ 677,967
Interest	-	-	15,735	15,735
<b>Total revenues</b>	-	-	693,702	693,702
<b>Other financing uses</b>				
Transfers out	(250,141)	(250,626)	(250,626)	-
Net change in fund balance	250,141	250,626	443,076	693,702
Fund balance, beginning of year	-	-	961,904	-
<b>Fund balance, end of year</b>	<u>\$ 250,141</u>	<u>\$ 250,626</u>	<u>\$ 1,404,980</u>	<u>\$ 693,702</u>

The accompanying notes are an integral part of these financial statements.

# **MISSAUKEE COUNTY, MICHIGAN**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOUSING SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental				
Federal	\$ -	\$ 16,000	\$ 53,560	\$ 37,560
Other revenue	10,000	22,000	21,729	(271)
<b>Total revenues</b>	10,000	38,000	75,289	37,289
<b>Expenditures</b>				
Health and welfare	10,000	38,000	75,339	37,339
<b>Net change in fund balance</b>	-	-	(50)	(50)
Fund balance, beginning of year	10,608	10,608	10,608	-
<b>Fund balance, end of year</b>	<u>\$ 10,608</u>	<u>\$ 10,608</u>	<u>\$ 10,558</u>	<u>\$ (50)</u>

The accompanying notes are an integral part of these financial statements.

# **MISSAUKEE COUNTY, MICHIGAN**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SHERIFF SPECIAL FORCES SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 530,938	\$ 534,000	\$ 534,294	\$ 294
Intergovernmental				
Federal	-	-	2,984	2,984
Interest	2,000	15,000	16,992	1,992
Other revenue	1,000	7,000	15,136	8,136
<b>Total revenues</b>	<u>533,938</u>	<u>556,000</u>	<u>569,406</u>	<u>13,406</u>
<b>Expenditures</b>				
Public safety	525,751	526,751	478,088	(48,663)
Capital outlay	50,000	60,000	55,705	(4,295)
<b>Total expenditures</b>	<u>575,751</u>	<u>586,751</u>	<u>533,793</u>	<u>(52,958)</u>
<b>Net change in fund balance</b>	(41,813)	(30,751)	35,613	66,364
Fund balance, beginning of year	<u>274,509</u>	<u>274,509</u>	<u>274,509</u>	-
<b>Fund balance, end of year</b>	<u>\$ 232,696</u>	<u>\$ 243,758</u>	<u>\$ 310,122</u>	<u>\$ 66,364</u>

The accompanying notes are an integral part of these financial statements.

**MISSAUKEE COUNTY, MICHIGAN**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**DECEMBER 31, 2006**

	<u>Unpledged</u>	<u>2003 Tax Levy</u>	<u>2004 Tax Levy</u>	<u>2005 Tax Levy</u>	<u>Missaukee Sanitary Drainage District No. 2</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 226,758	\$ 1,098,083	\$ 482,802	\$ 523,496	\$ -	\$ 67,839	\$ 2,398,978
Receivables							
Accounts	-	-	-	-	700,760	53,663	754,423
Taxes receivable-delinquent	564	102	22,305	393,223	-	-	416,194
Interest	19	15	7,308	39,312	-	-	46,654
Due from other governments	-	941	1,522	6,097	-	-	8,560
Due from other funds	2,359,130	-	880,000	-	-	280,000	3,519,130
<b>Total current assets</b>	<u>2,586,471</u>	<u>1,099,141</u>	<u>1,393,937</u>	<u>962,128</u>	<u>700,760</u>	<u>401,502</u>	<u>7,143,939</u>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Due to other funds	-	1,038,356	1,320,774	880,000	-	-	3,239,130
Accrued interest payable	-	-	-	-	5,760	663	6,423
Current portion of long-term debt	-	-	-	-	-	11,000	11,000
<b>Total current liabilities</b>	<u>-</u>	<u>1,038,356</u>	<u>1,320,774</u>	<u>880,000</u>	<u>5,760</u>	<u>11,663</u>	<u>3,256,553</u>
<b>Long-term liabilities</b>							
Long-term debt, net of current portion	-	-	-	-	695,000	42,000	737,000
<b>Total liabilities</b>	<u>-</u>	<u>1,038,356</u>	<u>1,320,774</u>	<u>880,000</u>	<u>700,760</u>	<u>53,663</u>	<u>3,993,553</u>
<b>Net assets</b>							
<b>Unrestricted</b>	<u>\$ 2,586,471</u>	<u>\$ 60,785</u>	<u>\$ 73,163</u>	<u>\$ 82,128</u>	<u>\$ -</u>	<u>\$ 347,839</u>	<u>\$ 3,150,386</u>

The accompanying notes are an integral part of these financial statements.

**MISSAUKEE COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Unpledged</u>	<u>2003 Tax Levy</u>	<u>2004 Tax Levy</u>	<u>2005 Tax Levy</u>	<u>Missaukee Sanitary Drainage District No. 2</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Operating revenues</b>							
Intergovernmental							
Local	\$ -	\$ -	\$ -	\$ -	\$ 47,085	\$ 3,588	\$ 50,673
Charges for services	42	33,258	68,359	126,265	-	45,500	273,424
<b>Total operating revenues</b>	<u>42</u>	<u>33,258</u>	<u>68,359</u>	<u>126,265</u>	<u>47,085</u>	<u>49,088</u>	<u>324,097</u>
<b>Operating expenses</b>							
Other	-	7,535	19,050	3,023	-	4,801	34,409
<b>Operating income (loss)</b>	<u>42</u>	<u>25,723</u>	<u>49,309</u>	<u>123,242</u>	<u>47,085</u>	<u>44,287</u>	<u>289,688</u>
<b>Nonoperating revenues (expenses)</b>							
Interest income	-	-	-	-	-	77,857	77,857
Interest expense	-	-	-	-	(47,085)	(3,588)	(50,673)
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,085)</u>	<u>74,269</u>	<u>27,184</u>
<b>Income (loss) before transfers</b>	<u>42</u>	<u>25,723</u>	<u>49,309</u>	<u>123,242</u>	<u>-</u>	<u>118,556</u>	<u>316,872</u>
<b>Transfers</b>							
Transfers in	49,931	-	-	-	-	108,902	158,833
Transfers out	(341)	(11,112)	(53,800)	(41,401)	-	(197,491)	(304,145)
<b>Total transfers</b>	<u>49,590</u>	<u>(11,112)</u>	<u>(53,800)</u>	<u>(41,401)</u>	<u>-</u>	<u>(88,589)</u>	<u>(145,312)</u>
<b>Change in net assets</b>	<u>49,632</u>	<u>14,611</u>	<u>(4,491)</u>	<u>81,841</u>	<u>-</u>	<u>29,967</u>	<u>171,560</u>
Net assets, beginning of year	<u>2,536,839</u>	<u>46,174</u>	<u>77,654</u>	<u>287</u>	<u>-</u>	<u>317,872</u>	<u>2,978,826</u>
<b>Net assets, end of year</b>	<u>\$ 2,586,471</u>	<u>\$ 60,785</u>	<u>\$ 73,163</u>	<u>\$ 82,128</u>	<u>\$ -</u>	<u>\$ 347,839</u>	<u>\$ 3,150,386</u>

The accompanying notes are an integral part of these financial statements.

**MISSAUKEE COUNTY, MICHIGAN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Unpledged</b>	<b>2003 Tax Levy</b>	<b>2004 Tax Levy</b>	<b>2005 Tax Levy</b>	<b>Missaukee Sanitary Drainage District No. 2</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Cash flows from operating activities</b>							
Cash receipts from customers and users	\$ 419	\$ 75,715	\$ 461,088	\$ (312,367)	\$ 156,325	\$ 66,757	\$ 447,937
Cash received from interfund services provided	-	392,179	-	880,000	-	-	1,272,179
Cash payments for interfund services received	(181,332)	-	(880,000)	-	-	(15,073)	(1,076,405)
Cash payments to suppliers for goods and services	-	(28,895)	(19,050)	(3,023)	-	(4,986)	(55,954)
<b>Net cash provided by (used in) operating activities</b>	<b>(180,913)</b>	<b>438,999</b>	<b>(437,962)</b>	<b>564,610</b>	<b>156,325</b>	<b>46,698</b>	<b>587,757</b>
<b>Cash flows from non-capital financing activities</b>							
Principal paid on long-term debt	-	-	-	-	(115,000)	(11,000)	(126,000)
Interest paid on long-term debt	-	-	-	-	(41,325)	(2,925)	(44,250)
Transfer in	49,931	-	-	-	-	108,902	158,833
Transfer out	(341)	(11,112)	(53,800)	(41,401)	-	(197,491)	(304,145)
<b>Net cash provided by (used in) by non-capital financing activities</b>	<b>49,590</b>	<b>(11,112)</b>	<b>(53,800)</b>	<b>(41,401)</b>	<b>(156,325)</b>	<b>(102,514)</b>	<b>(315,562)</b>
<b>Cash flows from investing activities</b>							
Interest received	-	-	-	-	-	77,857	77,857
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(131,323)</b>	<b>427,887</b>	<b>(491,762)</b>	<b>523,209</b>	<b>-</b>	<b>22,041</b>	<b>350,052</b>
Cash and cash equivalents, beginning of year	358,081	670,196	974,564	287	-	45,798	2,048,926
<b>Cash and cash equivalents, end of year</b>	<b>\$ 226,758</b>	<b>\$ 1,098,083</b>	<b>\$ 482,802</b>	<b>\$ 523,496</b>	<b>\$ -</b>	<b>\$ 67,839</b>	<b>\$ 2,398,978</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities</b>							
Operating income (loss)	\$ 42	\$ 25,723	\$ 49,309	\$ 123,242	\$ 47,085	\$ 44,287	\$ 289,688
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Changes in assets and liabilities							
Accounts receivable	-	-	-	-	109,240	10,387	119,627
Taxes receivables - delinquent	(24)	32,965	362,506	(393,223)	-	5,257	7,481
Interest receivable	401	10,417	31,145	(39,312)	-	2,021	4,672
Due from other governments	-	(925)	(922)	(6,097)	-	4	(7,940)
Due from other funds	(181,332)	-	(880,000)	-	-	(15,073)	(1,076,405)
Accrued liabilities	-	(21,360)	-	-	-	(185)	(21,545)
Due to other funds	-	392,179	-	880,000	-	-	1,272,179
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (180,913)</b>	<b>\$ 438,999</b>	<b>\$ (437,962)</b>	<b>\$ 564,610</b>	<b>\$ 156,325</b>	<b>\$ 46,698</b>	<b>\$ 587,757</b>

The accompanying notes are an integral part of these financial statements.

# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2006

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 99,823</u>
<b>Liabilities</b>	
Undistributed taxes	\$ 2,069
Undistributed collections	89,337
Court bonds payable	<u>8,417</u>
<b>Total liabilities</b>	<u>\$ 99,823</u>

The accompanying notes are an integral part of these financial statements.



**MISSAUKEE COUNTY, MICHIGAN**

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**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

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# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization

The County of Missaukee, Michigan (the “County”) was incorporated under the laws of the State of Michigan in 1871 and operates under an elected Commission form of government. The County is governed by an elected seven-member board. The County’s services, assistance and care include the (1) general County departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children and public and mental health recipients; and (5) recreation.

The accounting policies of the County conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant accounting policies.

#### **Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its discretely presented component units. The discretely presented component units discussed below should be included in the County’s reporting entity because they are entities for which the government is considered to be financially accountable.

***Missaukee County Road Commission*** - members of the governing board of the Road Commission are elected by County electors. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Board of Commissioners.

***District Health Department #10*** - (the Health Department) is a municipal authority comprising Lake, Newaygo, Oceana, Missaukee, Mecosta, Manistee, Wexford, Crawford, Mason and Kalkaska Counties. It operates under an appointed Board of Health and provides services to its residents in the area of public health. The Health Department is considered a component unit under the oversight authority of the County of Missaukee. As such, it is an integral part of Missaukee County's reporting entity. The Department is audited and reported on as of September 30, for a twelve-month fiscal year.

***Missaukee County Council on Aging*** - In 1999, the County of Missaukee and the District Health Department No. 10 entered into an intergovernmental agreement creating the Missaukee County Commission on Aging (MCCOA) under the authority of PA 7 of 1967. The MCCOA is legally separate from the County and is governed by nine members, all of which are appointed by the Missaukee County Board of Commissioners. As of December 31, 2006, two (2) Commissioners from the County served on the MCCOA Board of Directors. The MCCOA provides activities and services to all persons 60 years or older residing in Missaukee County. Separate financial statements are not available for MCCOA.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Complete financial statements of the component units can be obtained as follows:

Missaukee County Road Commission  
1199 N. Morey Road  
Lake City, Michigan 49651

District Health Department # 10  
401 N. Lake Street  
Cadillac, Michigan 49601

### **Regional Joint Operations**

The County participates jointly in the operation of the North Central Community Mental Health Authority with Grand Traverse, Leelanau, Crawford, Roscommon and Wexford Counties. All financial operations of the Authority are recorded in Wexford County financial statements. The funding formula requires the County to provide approximately 3.5% of the local unit budget appropriation requirement, which amounted to \$35,272 for the year ended December 31, 2006.

### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received within 180 days of year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax revolving enterprise funds are interest and penalties on delinquent taxes. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted sources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Emergency Services Special Revenue Fund* accounts for a property tax millage, charges for services and expenditures of the County's ambulance and emergency medical services.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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The *Revenue Sharing Reserve Fund* accounts for the funding mechanism to serve as a substitute for State revenue sharing payments.

The *Housing Special Revenue Fund* accounts for the program income and revenue from the CDBG revolving loan fund started through federal grants received over several years.

The *Sheriff Special Forces Special Revenue Fund* accounts for the property tax millage and expenditures related to a voter approved millage to provide additional law enforcement services.

The government reports the following major proprietary funds:

The *Unpledged Enterprise Fund* accounts for funds from 1998 and previous years delinquent tax collection activity.

The *2003 Tax Levy Enterprise Fund* accounts for funds paid to each local governmental unit, including the County General Fund, for their respective amount of taxes not collected as of March 1st from the 2003 tax levy. Financing for these purchases was provided by the collection of previous years delinquent property taxes by the County Treasurer.

The *2004 Tax Levy Enterprise Fund* accounts for funds paid to each local governmental unit, including the County General Fund, for their respective amount of taxes not collected as of March 1st from the 2004 tax levy. Financing for these purchases was provided by the collection of previous years delinquent property taxes by the County Treasurer.

The *2005 Tax Levy Enterprise Fund* accounts for funds paid to each local governmental unit, including the County General Fund, for their respective amount of taxes not collected as of March 1st from the 2005 tax levy. Financing for these purchases was provided by the collection of previous years delinquent property taxes by the County Treasurer.

The *Missaukee Sanitary Drainage District No. 2 Debt Service Fund* accounts for the resources accumulated from the local municipalities and payments made for principal and interest on long-term general obligation debt.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than perpetual trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Capital Projects Fund* account for the accumulation and disbursement of resources for the construction of major capital projects.

The *Agency Funds* account for assets held for other governments in an agency capacity, specifically in the trust and agency fund, library penal fine fund, district court fund and inmate trust fund.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **D. Assets, liabilities and net assets or equity**

#### **1. *Cash and Interest Bearing Deposits***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans.) All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Loans and leases receivable of \$632,817 and \$737,000, respectively, are not expected to be collected within one year.

#### **3. *Taxes Receivable – Current***

Beginning in 2005, property taxes are levied as of December 1 and July 1 on property values assessed as of the same date. The operating levy is in year two of a three year transition which will gradually move up the entire County levy to July. In 2006, counties levied two thirds of their millage for use in 2006. In 2007, the entire county operating millage will be levied in July for use in 2008. Since the property taxes levied December 1, 2006 are for the operations of future years, the operating millage receivable is offset by deferred revenue, with the exception of the Revenue Sharing Reserve Fund, which is recognized entirely in 2006. The taxes levied December 1 are due on February 14 of the following year and taxes levied July 1 are due on September 14 after which the applicable property is subject to lien, and penalties and interest are assessed.

#### **4. *Delinquent Taxes Receivable***

The delinquent taxes receivable, which are recorded in the enterprise funds, consist of unpaid balances of delinquent real property taxes which were purchased from all of the taxing units in Missaukee County by the County's delinquent tax funds.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. *Leases Receivable*

The County has entered into various lease agreements with local governments to issue bonded debt and to manage the construction of water and sewer systems in those jurisdictions. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the particular local governments.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreement.

### 6. *Inventory*

The Road Commission component unit inventory consists of equipment parts and supplies of \$157,391 and road materials of \$93,610. Inventory is stated at cost based on the weighted-average cost method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used. Inventory is reported under the caption "Prepaid items and other assets" on the Statement of Net Assets.

### 7. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### 8. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities and component unit columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Vehicles	7-25
Equipment	5-10
Infrastructure	5-50

### ***9. Advance from State***

The State of Michigan has advanced funds to the Road Commission component unit for the purchase of equipment and for trunkline maintenance. Each advance is an annual advance with appropriate adjustments made each year to reflect the current balance based on an applicable formula developed by the Michigan Department of Transportation.

### ***10. Unearned/Deferred Revenue***

In the fund financial statements, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. In the government-wide financial statements, as of December 31, 2006, unearned revenue in governmental activities consist of taxes receivable not yet earned in the amount of \$881,141.

### ***11. Compensated Absences***

#### **Primary government**

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Employees are only allowed to carryover a maximum of 40 hours at their anniversary date.

Until 1998, sick leave hours were credited to each AFSCME union employee as earned during a calendar year. As of September 19, 1998 sick leave no longer existed and the sick leave accrued as of that date was multiplied by the employee's straight time rate of pay and placed in a "bank". Upon death or retirement the bank will be paid at one hundred percent. Since 1998, paid time off ("PTO") has replaced sick and vacation leave for AFSCME union employees.

All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.



# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **Road Commission Component unit**

County road employees earn vacation and personal leave in varying amounts depending on the number of years of service. Accumulated vacation may not exceed the total earned for any given year per the union contract. Non-union employees are also subject to the vacation provisions embodied in the union contract. Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 640 hours. The policy also provides that employees, who separate from employment with the Road Commission, will be paid for a certain portion of the accumulated sick leave.

### ***12. Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bonds premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***13. Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

During the November board meeting of each year the Board of Commissioners shall, by resolution, adopt the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The County Administrator may make transfers of appropriations between departments within any funds (the legal level of budgetary control); however any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Board of commissioners	\$85,350	\$85,372	\$ (22)
Circuit court	409,935	414,190	(4,255)
Elections	400	622	(222)
Treasurer	103,556	106,989	(3,433)
TNT grant match	31,000	37,763	(6,763)
Recycling center	20,200	21,342	(1,142)
Capital outlay	4,128	6,746	(2,618)
Special Revenue Funds:			
Emergency Services Fund:			
Capital outlay	140,000	168,955	(28,955)
Housing Fund:			
Health and welfare	38,000	75,339	(37,339)

### B. Deficit fund equity

For the year ended December 31, 2006, the General Fund and Capital Reserve Capital Projects Fund ended with deficit unreserved fund balances of \$(31,962) and \$(280,000), respectively. The General Fund deficit will be eliminated as future revenues and transfers are collected. In the Capital Reserve Capital Projects Fund, significant expenditures were incurred by the fund for the jail expansion project, which were paid via long-term advances from the County's Delinquent Tax Collection Funds. The deficit fund balance will be eliminated as future jail related revenue is collected.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Board of Commissioners has designated three banks for the deposit of County funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, interest bearing savings and checking accounts, repurchase agreements, bankers' acceptance of United States banks, federal agency instruments, money market funds with a net asset value of \$1.00 per share, commercial paper within the two highest classifications and negotiable and non-negotiable certificates of deposits, but

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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not the remainder of State statutory authority as listed above.

The County's deposits and investment policy are in accordance with county and statutory authority. A reconciliation of cash and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

**Carrying Amount -**

Government-wide Financial Statement Captions:

Primary Government:

Cash and cash equivalents \$ 4,944,431

Component Units:

Cash and cash equivalents 1,233,544

Fiduciary Fund Financial Statement Captions:

Cash and cash equivalents 99,823

\$ 6,277,798

**Deposits and Investments:**

Bank deposits (checking accounts, savings

accounts and certificates of deposit) \$ 6,266,588

Cash on hand

11,210

\$ 6,277,798

**Investment and deposit risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the preceding list of authorized investments. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The County's investment policy does not have specific limits in excess of state law on investment credit risk. The County has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, none of the County's bank balance of \$7,521,773 was exposed to custodial credit risk because it was insured and collateralized.

The difference between Health Department component unit cash and cash equivalents reported at September 30, 2006 and cash held by the treasurer on behalf of the Health Department at December 31, 2006 is \$(312,854).

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### B. Capital assets

Capital assets activity for the year ended December 31, 2006 was as follows:

<u>Primary government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
<b>Capital assets not being depreciated</b>				
<b>Land</b>	<u>\$ 353,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,423</u>
<b>Capital assets being depreciated</b>				
Buildings	3,364,283	-	-	3,364,283
Equipment	840,456	88,095	(101,360)	827,191
Vehicles	<u>594,559</u>	<u>226,785</u>	<u>(71,644)</u>	<u>749,700</u>
Total capital assets being depreciated	<u>4,799,298</u>	<u>314,880</u>	<u>(173,004)</u>	<u>4,941,174</u>
Less accumulated depreciation for				
Buildings	1,114,850	99,221	-	1,214,071
Equipment	663,798	79,581	(98,282)	645,097
Vehicles	<u>319,528</u>	<u>90,529</u>	<u>(59,638)</u>	<u>350,419</u>
Total accumulated depreciation	<u>2,098,176</u>	<u>269,331</u>	<u>(157,920)</u>	<u>2,209,587</u>
Total capital assets being depreciated, net	<u>2,701,122</u>	<u>45,549</u>	<u>(15,084)</u>	<u>2,731,587</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 3,054,545</b></u>	<u><b>\$ 45,549</b></u>	<u><b>\$ (15,084)</b></u>	<u><b>\$ 3,085,010</b></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
Judicial	\$ 4,060
General government	65,303
Public safety	167,596
Recreation and cultural	<u>32,372</u>
<b>Total depreciation expense – governmental activities</b>	<u><b>\$ 269,331</b></u>

# **MISSAUKEE COUNTY, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Discretely Presented Component Units**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Road Commission</b>				
Capital assets not being				
Depreciated –				
Land	\$ 650	\$ -	\$ -	\$ 650
Capital assets being depreciated				
Land improvements	100,364	-	-	100,364
Buildings	1,291,094	-	-	1,291,094
Equipment	4,263,629	279,828	(232,654)	4,310,803
Infrastructure	30,863,131	3,908,197	-	34,771,328
Total capital assets being depreciated	36,518,218	4,188,025	(232,654)	40,473,589
Less accumulated depreciation for				
Land improvements	46,792	4,671	-	51,463
Buildings	392,322	27,231	-	419,553
Equipment	3,426,606	353,763	(142,460)	3,637,909
Infrastructure	13,920,100	1,541,059	-	15,461,159
Total accumulated depreciation	17,785,820	1,926,724	(142,460)	19,570,084
Total capital assets being depreciated, net	18,732,398	2,261,301	(90,194)	20,903,505
<b>Governmental activities capital assets, net</b>	<b><u>\$ 18,733,048</u></b>	<b><u>\$ 2,261,301</u></b>	<b><u>\$ (90,194)</u></b>	<b><u>\$ 20,904,155</u></b>
<b>Health Department</b>				
Capital assets being depreciated				
Equipment	\$ 784,025	\$ 67,731	\$ -	\$ 851,756
Less accumulated depreciation	382,901	110,516	-	493,417
Total capital assets being depreciated, net	<u>\$ 401,124</u>	<u>\$ (42,785)</u>	<u>\$ -</u>	<u>\$ 358,339</u>

# **MISSAUKEE COUNTY, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **C. Interfund receivables, payables and transfers**

The composition of interfund balances is as follows:

<b>Due to other funds</b>	<b>Due from other funds</b>						<b>Total</b>
	<b>General</b>	<b>Revenue Sharing Reserve</b>	<b>Nonmajor Governmental</b>	<b>Unpledged</b>	<b>2004 Tax Levy</b>	<b>Nonmajor Enterprise</b>	
General	\$ -	\$175,000	\$ -	\$ -	\$ -	\$ -	\$ 175,000
Nonmajor Governmental	19,723	-	10,000	-	-	280,000	309,723
2003 Tax Levy	-	-	-	1,038,356	-	-	1,038,356
2004 Tax Levy	-	-	-	1,320,774	-	-	1,320,774
2005 Tax Levy	-	-	-	-	880,000	-	880,000
<b>Total</b>	<b>\$ 19,723</b>	<b>\$ 175,000</b>	<b>\$ 10,000</b>	<b>\$2,359,130</b>	<b>\$880,000</b>	<b>\$ 280,000</b>	<b>\$ 3,723,853</b>

Interfund receivables and payables are established to cover cash deficits and short-term financing of certain operations.

<b>Transfer in</b>					
<b>Transfer out</b>	<b>General</b>	<b>Nonmajor Governmental</b>	<b>Unpledged</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>
General	\$ -	\$ 256,000	\$ -	\$ -	\$ 256,000
Revenue Sharing Reserve	250,626	-	-	-	250,626
Nonmajor Governmental	-	124,830	-	-	124,830
Unpledged	-	-	-	341	341
2003 Tax Levy	-	-	-	11,112	11,112
2004 Tax Levy	-	-	-	53,800	53,800
2005 Tax Levy	-	-	-	41,401	41,401
Nonmajor Enterprise	145,312	-	49,931	2,248	197,491
<b>Total</b>	<b>\$ 395,938</b>	<b>\$ 380,830</b>	<b>\$ 49,931</b>	<b>\$ 108,902</b>	<b>\$ 935,601</b>

Interfund transfers include transfer of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. The Revenue Sharing Reserve Fund has transferred the allowable spending amount specified by the State for the State revenue sharing fund in compliance with Public Act 357 of 2004. Also, transfers from the Nonmajor Enterprise Funds were made to close the net assets of prior years' tax levies into the Unpledged Fund.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### D. Long-term debt

#### Primary government

The following is a summary of primary government long-term debt transactions for the year ended December 31, 2006:

	<u>Primary Government</u>		
	Governmental Activities Note Payable	Governmental Activities Compensated Absences	Business-type Activities General Obligation Debt
Long-term Debt at January 1, 2006	\$ 11,510	\$ 90,560	\$ 874,000
Additions	-	92,883	-
Reductions	<u>6,278</u>	<u>91,283</u>	<u>126,000</u>
<b>Long-term Debt at December 31, 2006</b>	<b><u>\$ 5,232</u></b>	<b><u>\$ 92,160</u></b>	<b><u>\$ 748,000</u></b>
<b>Due Within One Year</b>	<b><u>\$ 5,232</u></b>	<b><u>\$ 91,283</u></b>	<b><u>\$ 11,000</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

General Obligation Debt consists of general obligation bonds of the Department of Public Works and an installment purchase note payable for the purchase of equipment. Department of Public Works bonds are for Township and City sewer disposal systems. The bonds are direct obligations of the respective Township or City and an indirect obligation of the County.

Annual debt service requirements for the primary government's note payable is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 5,232</u>	<u>\$ -</u>	<u>\$ 5,232</u>

Long-term debt at December 31, 2006 is comprised of the following individual issues:

<u>General Obligation Debt Description</u>	<u>Balance Interest Rates</u>	<u>Maturing Year</u>	<u>Outstanding at 12/31/06</u>
McBain Sanitary Sewer Bonds 1979	5%	2011	\$ 53,000
Missaukee Sanitary Drainage District No. 2 Drain Bonds – 1993	4.2 – 7.0%	2011	<u>695,000</u>
			<b><u>\$748,000</u></b>

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

Annual debt service requirements for the primary government's general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 11,000	\$ 42,875	\$ 53,875
2008	12,000	39,425	51,425
2009	237,000	30,325	267,325
2010	243,000	18,325	261,325
2011	<u>245,000</u>	<u>6,125</u>	<u>251,125</u>
<b>Total</b>	<b><u>\$ 748,000</u></b>	<b><u>\$ 137,075</u></b>	<b><u>\$ 885,075</u></b>

### Discretely Presented Component Units

Changes in component unit's long-term debt are as follows:

	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/06</u>	<u>Due In</u> <u>One Year</u>
<b>Road Commission</b>					
Compensated absences	<u>\$129,891</u>	<u>\$ 14,478</u>	<u>\$ -</u>	<u>\$ 144,369</u>	<u>\$14,437</u>
	<u>Balance</u> <u>10/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/06</u>	
<b>District Health Department</b>					
No. 10 - Compensated absences	<u>\$439,004</u>	<u>\$ 28,094</u>	<u>\$ -</u>	<u>\$ 467,098</u>	<u>\$ -</u>



# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### IV. OTHER INFORMATION

#### A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for general liability, workers compensation and health insurance risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Missaukee County Road Commission component unit manages its liability and property risk by participating in the Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Missaukee County Road Commission pays an annual premium to these providers for its insurance coverage. These providers are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### B. Contingencies

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

The Missaukee County Road Commission contracts with the State of Michigan to perform state highway maintenance fluctuations for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Missaukee County Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures which may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreements with the Missaukee County Road Commission. The audit adjustment is accounted for as an adjustment of current year's expenditures.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### C. Pension Plans

#### **Primary Government Defined Contribution Plan**

The County participates in the Missaukee County defined contribution pension plan covering approximately half of the County's employees. The plan is administered by Nationwide Life Insurance. A defined contribution pension plan provides pension benefits in return for services rendered; provides an individual account for each participant and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount of those contributions, and forfeitures of other participant's benefits prior to vesting. Contributions to the plan are made by the County based upon a percent of employees base salaries, which ranges from 0 to 8 percent depending on years of service. The County contributed \$56,809 to the plan on behalf of eligible employees. Employees do not contribute to the plan. Plan provisions and contribution requirements are established and may be amended by the County Board of Commissioners.

#### **Sheriff's Department Defined Benefit Plan**

*Plan Description.* The County's Sheriff Department participates in a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

#### **Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's collective bargaining unit and personnel policy, which requires employees to contribute 2% of payroll to the plan. The County is required to contribute at an actuarially determined rate: the rate set for the year ended December 31, 2006 is based on the December 31, 2004 actuarial valuation, and as a percent of payroll was 19.8 percent for elected officials and 13.6 for the sheriff's department.

#### **Annual Pension Cost**

During the fiscal year ended December 31, 2006, the County's actual contributions totaling \$157,499 were equal to its annual pension cost and were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. Employee contributions made during 2006 were \$22,336. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years on an open basis. The employer normal cost is, for each employee, the level percentage of payroll contribution (from

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases. The latest actuarial valuation of the Plan was December 31, 2005.

### Three-Year Trend Information

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
12/31/04	\$ 89,484	100%	\$ -
12/31/05	140,080	100	-
12/31/06	157,499	100	-

### Schedule of Funding Progress

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets (a)</u></b>	<b><u>Actuarial Liability (AAL) - Entry Age (b)</u></b>	<b><u>Unfunded AAL (UAAL) (b-a)</u></b>	<b><u>Funded Ratio (a/b)</u></b>	<b><u>Covered Payroll (c)</u></b>	<b><u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u></b>
12/31/03	\$1,353,330	\$2,489,643	\$1,136,313	54%	\$ 883,972	128%
12/31/04	1,606,551	2,722,806	1,116,255	59%	1,007,864	118%
12/31/05	1,844,815	3,047,547	1,202,732	61%	1,019,767	118%

### Road Commission - discretely presented component unit

#### Defined contribution plan

The Missaukee County Road Commission Money Purchase Pension Plan, a single employer plan, covers substantially all of its full-time employees. The employer contributes 10% of covered payroll. No employee contributions are allowed.

The Road Commission's contributions for the year amounted to \$96,126 (10% of covered payroll). The investments are invested in the Public Employers Retirement Trust/Michigan

Distributions from the plan will be made upon termination of employment or upon retirement, on or after normal retirement age of 62.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **District Health Department No. 10 - discretely presented component unit**

#### **Defined benefit pension plan**

##### *Plan Description*

The Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan administered by the MERS retirement board, that covers all employees of the Health Department employed prior to October 1, 1997. The system provides retirement, disability and death benefits to plan members and their beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Health Department at P.O. Box 8305, White Cloud, Michigan, 49349.

##### *Funding Policy*

The obligation to contribute to and maintain the system for these employees was established by the Health Department Board.

##### *Annual Pension Cost*

For the plan year ended December 31, 2005, the Health Department's annual pension cost of \$576,907 for the plan was equal to the Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) included an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 36 years.

#### **Three-Year Trend Information**

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
12/31/03	\$493,058	100%	\$ -
12/31/04	492,423	100	-
12/31/05	576,907	100	-

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/03	\$12,082,251	\$18,453,157	\$6,370,906	65%	\$2,000,396	318%
12/31/04	12,471,605	18,759,839	6,288,234	66%	1,961,698	321%
12/31/05	12,863,830	19,592,729	6,728,899	66%	1,918,813	292%

#### Defined contribution plan

The Health Department provides pension benefits to all of its full-time employees employed on or after October 1, 1998 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Health Department Board, the Health Department contributes 5 percent of employees' gross earnings and employees contribute up to 3 percent of earnings. The Health Department also matches the employee contribution. In accordance with these requirements, the Health Department contributed \$287,155 during the current year, and employees contributed \$111,195.

#### D. Post retirement benefits other than pension – Road Commission – discretely presented component unit

The Road Commission provides post retirement hospitalization to its retired full-time employees who were hired before 1984.

The Road Commission funds 100% of the premiums of the policies on a pay as you go basis. During 2006, the Road Commission paid deductibles and hospitalization premiums for 15 qualified individuals totaling \$122,170.

#### E. Operating leases – Health Department – discretely presented component unit

The Health department conducts a substantial portion of its operations in facilities rented under agreements classified as operating leases. Rental expenses under these leases for the period ended September 30, 2006 was \$1,187,020.

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule by years of minimum future rentals on non-cancelable leases in excess of one year as of September 30, 2006:

<u>Year</u>	<u>Amount</u>
2007	\$ 29,256
2008	29,256
2009	29,256
2010	29,256
2011	29,256
2012-2016	146,280
2017-2021	<u>46,322</u>
<b>Total</b>	<b><u>\$338,882</u></b>

### F. Reserved Fund Balances

	<u>General Fund</u>	<u>Revenue Sharing Reserve</u>	<u>TNT Forfeiture</u>	<u>Total</u>
Prepaid items	\$100,864	\$ -	\$ -	\$ 100,864
Tax reserve	-	1,404,980	-	1,404,980
TNT operations	-	-	295,036	295,036
<b>Total</b>	<b><u>\$100,864</u></b>	<b><u>\$1,404,980</u></b>	<b><u>\$ 295,036</u></b>	<b><u>\$1,800,880</u></b>

### G. Restatements

The Missaukee Sanitary Drainage District No. 2 and McBain Sewer Funds were previously recorded as debt service and capital projects funds, but are now reported as enterprise funds. The purpose of this restatement was to comply with the Michigan Committee on Governmental Accounting and Auditing Statement 10, as Amended, Accounting and Reporting Infrastructure Assets for Local Water and Sewer Systems and County Drains. The restatement no effect on the net assets of the governmental or business-type activities on the government-wide financial statements.

	<u>General</u>	<u>03-04 TNT</u>	<u>Department of Human Services</u>
Fund Balances 12/31/05	\$ 213,160	\$ 5,623	\$ 7,429
Restatements:			
Cash	-	-	(5,000)
Accounts receivable	(981)	-	-
Revenues / expenditures	<u>-</u>	<u>(5,623)</u>	<u>-</u>
Fund Balances 12/31/05, as restated	<u>\$ 212,179</u>	<u>\$ -</u>	<u>\$ 2,429</u>

In the General Fund, an adjustment was made to reduce the year end receivables recorded at

# MISSAUKEE COUNTY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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12/31/05, based upon the actual amounts received in 2006. In the 03-04 TNT Fund, an adjustment was made to eliminate the fund balance recorded at 12/31/05. This fund was strictly grant reimbursement based and should not have had a fund balance at year-end. In addition, this fund is not presented in the 2006 financial statements because the grant was closed in 2005. In the Department of Human Services Fund, an adjustment was made to write-off an imprest cash balance no longer held by the County.

For the Governmental Activities on the Statement of Net Assets for the year ended December 31, 2005, the governmental fund prior period adjustments also had an effect on beginning of the year net assets. In addition, there was an adjustment made to eliminate the interest payable accrued on the bonds payable that have been reclassified to business-type activities. These errors have been corrected and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 6,058,775
Adjustment for accrued interest payable	7,517
Net effect of governmental fund corrections	<u>(11,604)</u>
Beginning net assets, as restated	<u>\$ 6,054,688</u>

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## **SUPPLEMENTARY INFORMATION**



# MISSAUKEE COUNTY, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 914,556	\$ 41,642	\$ 956,198
Receivables			
Accounts	75,581	-	75,581
Due from other funds	10,000	-	10,000
Due from other governments	13,020	-	13,020
<b>Total assets</b>	<u>\$ 1,013,157</u>	<u>\$ 41,642</u>	<u>\$ 1,054,799</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 61,256	\$ -	\$ 61,256
Accrued liabilities	1,833	-	1,833
Due to other funds	29,723	280,000	309,723
<b>Total liabilities</b>	<u>92,812</u>	<u>280,000</u>	<u>372,812</u>
<b>Fund balances</b>			
Reserved	295,036	-	295,036
Unreserved			
Designated for subsequent years expenditures	8,593	-	8,593
Undesignated (deficit)	616,716	(238,358)	378,358
<b>Total fund balances</b>	<u>920,345</u>	<u>(238,358)</u>	<u>681,987</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,013,157</u>	<u>\$ 41,642</u>	<u>\$ 1,054,799</u>

# MISSAUKEE COUNTY, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Intergovernmental			
Federal	\$ 288,185	\$ -	\$ 288,185
State	223,141	-	223,141
Local	354,879	-	354,879
Charges for services	608,644	-	608,644
Fines and forfeitures	203,958	-	203,958
Interest	31,347	1,818	33,165
Other revenue	9,979	-	9,979
<b>Total revenues</b>	<u>1,720,133</u>	<u>1,818</u>	<u>1,721,951</u>
<b>Expenditures</b>			
Current expenditures			
Judicial	11,387	-	11,387
General government	16,086	-	16,086
Public safety	902,452	-	902,452
Health and welfare	405,025	-	405,025
Recreation and cultural	260,468	-	260,468
Capital outlay	96,343	10,287	106,630
<b>Total expenditures</b>	<u>1,691,761</u>	<u>10,287</u>	<u>1,702,048</u>
Revenues over (under) expenditures	<u>28,372</u>	<u>(8,469)</u>	<u>19,903</u>
<b>Other financing sources (uses)</b>			
Transfers in	285,830	95,000	380,830
Transfers out	(124,830)	-	(124,830)
<b>Total other financing sources (uses)</b>	<u>161,000</u>	<u>95,000</u>	<u>256,000</u>
<b>Net change in fund balances</b>	<u>189,372</u>	<u>86,531</u>	<u>275,903</u>
Fund balances (deficit), beginning of year, as restated	<u>730,973</u>	<u>(324,889)</u>	<u>406,084</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 920,345</u>	<u>\$ (238,358)</u>	<u>\$ 681,987</u>

# MISSAUKEE COUNTY, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2006

	County Park	County Building Department	Friend of the Court
<b>Assets</b>			
Cash and cash equivalents	\$ 133,899	\$ 21,529	\$ 1,801
Accounts receivable	218	-	-
Due from other funds	-	-	-
Due from other governments	-	-	73
<b>Total assets</b>	<u>\$ 134,117</u>	<u>\$ 21,529</u>	<u>\$ 1,874</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	754	1,079	-
Due to other funds	-	10,000	-
<b>Total liabilities</b>	<u>754</u>	<u>11,079</u>	<u>-</u>
<b>Fund balances</b>			
Reserved	-	-	-
Unreserved			
Designated for subsequent years' expenditures	-	-	-
Undesignated	133,363	10,450	1,874
<b>Total fund balances</b>	<u>133,363</u>	<u>10,450</u>	<u>1,874</u>
<b>Total liabilities and fund balances</b>	<u>\$ 134,117</u>	<u>\$ 21,529</u>	<u>\$ 1,874</u>

<b>Public Improvement</b>	<b>Jail Expansion</b>	<b>Trial Court Improvement</b>	<b>Automation Fund</b>	<b>Law Library</b>	<b>Enhanced E-911</b>
\$ 643	\$ 2,285	\$ 26,833	\$ 11,312	\$ 22	\$ 275,513
-	-	-	-	100	25,053
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 643</u>	<u>\$ 2,285</u>	<u>\$ 26,833</u>	<u>\$ 11,312</u>	<u>\$ 122</u>	<u>\$ 300,566</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
643	-	-	-	-	-
-	2,285	26,833	11,312	122	300,566
643	2,285	26,833	11,312	122	300,566
<u>\$ 643</u>	<u>\$ 2,285</u>	<u>\$ 26,833</u>	<u>\$ 11,312</u>	<u>\$ 122</u>	<u>\$ 300,566</u>

Continued.....

# MISSAUKEE COUNTY, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2006

	Department of Human Services	Juvenile Justice- Basic Grant	Child Care
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 33,790
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	-	3,478	9,469
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 3,478</u>	<u>\$ 43,259</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 15,505
Accrued liabilities	-	-	-
Due to other funds	-	1,311	-
<b>Total liabilities</b>	<u>-</u>	<u>1,311</u>	<u>15,505</u>
<b>Fund balances</b>			
Reserved	-	-	-
Unreserved			
Designated for subsequent years expenditures	-	-	-
Undesignated	-	2,167	27,754
<b>Total fund balances</b>	<u>-</u>	<u>2,167</u>	<u>27,754</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 3,478</u>	<u>\$ 43,259</u>

<b>Veterans Trust</b>	<b>Oil and Gas</b>	<b>Local Emergency Planning</b>	<b>Housing Rehab Program</b>	<b>TNT Forfeiture</b>	<b>05-06 TNT</b>
\$ 432	\$ 6,010	\$ 4,446	\$ -	\$ 282,010	\$ -
-	-	-	-	20,000	-
-	10,000	-	-	-	-
-	-	-	-	-	-
<u>\$ 432</u>	<u>\$ 16,010</u>	<u>\$ 4,446</u>	<u>\$ -</u>	<u>\$ 302,010</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,974	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,974</u>	<u>-</u>
-	-	-	-	295,036	-
-	4,950	-	-	-	-
432	11,060	4,446	-	-	-
<u>432</u>	<u>16,010</u>	<u>4,446</u>	<u>-</u>	<u>295,036</u>	<u>-</u>
<u>\$ 432</u>	<u>\$ 16,010</u>	<u>\$ 4,446</u>	<u>\$ -</u>	<u>\$ 302,010</u>	<u>\$ -</u>

Continued.....

**MISSAUKEE COUNTY, MICHIGAN**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS**

**DECEMBER 31, 2006**

	<b>06-07 TNT</b>	<b>Lake City Officer</b>	<b>School Resource Officer</b>	<b>Dare Community Grant</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 23,424	\$ 141	\$ 166	\$ 16,211
Accounts receivable	30,015	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 53,439</b>	<b>\$ 141</b>	<b>\$ 166</b>	<b>\$ 16,211</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 35,027	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	18,412	-	-	-
<b>Total liabilities</b>	<b>53,439</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>				
Reserved	-	-	-	-
Unreserved				
Designated for subsequent years expenditures	-	-	-	3,000
Undesignated	-	141	166	13,211
<b>Total fund balances</b>	<b>-</b>	<b>141</b>	<b>166</b>	<b>16,211</b>
<b>Total liabilities and fund balances</b>	<b>\$ 53,439</b>	<b>\$ 141</b>	<b>\$ 166</b>	<b>\$ 16,211</b>

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Equipment Grant	Lake Level	Public Safety	Homestead Audit	Missaukee Lake Authority	Total
\$ 576	\$ 59,496	\$ 1,697	\$ 481	\$ 11,839	\$ 914,556
-	-	195	-	-	75,581
-	-	-	-	-	10,000
-	-	-	-	-	13,020
<u>\$ 576</u>	<u>\$ 59,496</u>	<u>\$ 1,892</u>	<u>\$ 481</u>	<u>\$ 11,839</u>	<u>\$ 1,013,157</u>

\$ -	\$ -	\$ -	\$ -	\$ 3,750	\$ 61,256
-	-	-	-	-	1,833
-	-	-	-	-	29,723
-	-	-	-	3,750	92,812
-	-	-	-	-	295,036
-	-	-	-	-	8,593
<u>576</u>	<u>59,496</u>	<u>1,892</u>	<u>481</u>	<u>8,089</u>	<u>616,716</u>
<u>576</u>	<u>59,496</u>	<u>1,892</u>	<u>481</u>	<u>8,089</u>	<u>920,345</u>
<u>\$ 576</u>	<u>\$ 59,496</u>	<u>\$ 1,892</u>	<u>\$ 481</u>	<u>\$ 11,839</u>	<u>\$ 1,013,157</u>

Concluded



**MISSAUKEE COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>County Park</b>	<b>County Building Department</b>	<b>Friend of the Court</b>
<b>Revenues</b>			
Intergovernmental			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Local	-	-	727
Charges for services	241,945	100,632	4,860
Fines and forfeitures	-	-	-
Interest	4,546	524	-
Other revenue	-	-	-
<b>Total revenues</b>	<u>246,491</u>	<u>101,156</u>	<u>5,587</u>
<b>Expenditures</b>			
Judicial	-	-	4,850
General government	-	-	-
Public safety	-	102,596	-
Health and welfare	-	-	-
Recreation and cultural	164,591	-	-
Capital outlay	71,834	-	-
<b>Total expenditures</b>	<u>236,425</u>	<u>102,596</u>	<u>4,850</u>
Revenues over (under) expenditures	<u>10,066</u>	<u>(1,440)</u>	<u>737</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	10,066	(1,440)	737
Fund balances, beginning of year, as restated	<u>123,297</u>	<u>11,890</u>	<u>1,137</u>
<b>Fund balances, end of year</b>	<u><u>\$ 133,363</u></u>	<u><u>\$ 10,450</u></u>	<u><u>\$ 1,874</u></u>

<b>Public Improvement</b>	<b>Jail Expansion</b>	<b>Trial Court Improvement</b>	<b>Automation Fund</b>	<b>Law Library</b>	<b>Enhanced E-911</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	103,368
-	-	-	-	-	-
-	116,049	15,321	23,147	-	-
-	-	-	-	2,658	-
31	546	-	291	-	8,820
-	-	-	-	-	-
31	116,595	15,321	23,438	2,658	112,188
-	-	-	-	6,537	-
-	-	-	13,647	-	-
-	-	-	-	-	13,009
-	-	-	-	-	-
-	-	-	-	-	-
2,891	19,897	1,721	-	-	-
2,891	19,897	1,721	13,647	6,537	13,009
(2,860)	96,698	13,600	9,791	(3,879)	99,179
-	-	-	-	4,000	-
-	(95,000)	-	-	-	-
-	(95,000)	-	-	4,000	-
(2,860)	1,698	13,600	9,791	121	99,179
3,503	587	13,233	1,521	1	201,387
\$ 643	\$ 2,285	\$ 26,833	\$ 11,312	\$ 122	\$ 300,566

Continued.....

# **MISSAUKEE COUNTY, MICHIGAN**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Department of Human Services</b>	<b>Juvenile Justice- Basic Grant</b>	<b>Child Care</b>
<b>Revenues</b>			
Intergovernmental			
Federal	\$ -	\$ -	\$ -
State	-	16,738	99,950
Local	-	-	25,037
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest	-	-	-
Other revenue	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>16,738</b>	<b>124,987</b>
<b>Expenditures</b>			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	4,429	17,374	368,871
Recreation and cultural	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>4,429</b>	<b>17,374</b>	<b>368,871</b>
Revenues over (under) expenditures	(4,429)	(636)	(243,884)
<b>Other financing sources (uses)</b>			
Transfers in	2,000	-	250,000
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,000</b>	<b>-</b>	<b>250,000</b>
<b>Net change in fund balances</b>	<b>(2,429)</b>	<b>(636)</b>	<b>6,116</b>
Fund balances, beginning of year, as restated	2,429	2,803	21,638
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 2,167</b>	<b>\$ 27,754</b>

Continued.....

<b>Veterans Trust</b>	<b>Oil and Gas</b>	<b>Local Emergency Planning</b>	<b>Housing Rehab Program</b>	<b>TNT Forfeiture</b>	<b>05-06 TNT</b>
\$ -	\$ -	\$ 822	\$ 1,245	\$ -	\$ 223,348
3,085	-	-	-	-	-
-	-	-	-	42,481	241,444
-	-	-	-	-	-
-	-	-	-	201,300	-
-	-	-	-	13,553	-
-	-	-	-	-	-
3,085	-	822	1,245	257,334	464,792
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	182,977	458,386
9,542	2,043	160	1,245	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,542	2,043	160	1,245	182,977	458,386
(6,457)	(2,043)	662	-	74,357	6,406
-	-	-	-	-	-
-	-	-	-	(23,424)	(6,406)
-	-	-	-	(23,424)	(6,406)
(6,457)	(2,043)	662	-	50,933	-
6,889	18,053	3,784	-	244,103	-
\$ 432	\$ 16,010	\$ 4,446	\$ -	\$ 295,036	\$ -

Continued.....

# MISSAUKEE COUNTY, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	06-07 TNT	Lake City Officer	School Resource Officer	Dare Community Grant
<b>Revenues</b>				
Intergovernmental				
Federal	\$ 62,770	\$ -	\$ -	\$ -
State	-	-	-	-
Local	32,939	12,251	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	-	-	-	441
Other revenue	-	-	-	9,979
<b>Total revenues</b>	<u>95,709</u>	<u>12,251</u>	<u>-</u>	<u>10,420</u>
<b>Expenditures</b>				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	125,539	12,278	-	2,661
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>125,539</u>	<u>12,278</u>	<u>-</u>	<u>2,661</u>
Revenues over (under) expenditures	<u>(29,830)</u>	<u>(27)</u>	<u>-</u>	<u>7,759</u>
<b>Other financing sources (uses)</b>				
Transfers in	29,830	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>29,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	(27)	-	7,759
Fund balances, beginning of year, as restated	-	168	166	8,452
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ 166</u>	<u>\$ 16,211</u>

<b>Equipment Grant</b>	<b>Lake Level</b>	<b>Public Safety</b>	<b>Homestead Audit</b>	<b>Missaukee Lake Authority</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,185
-	-	-	-	-	223,141
-	-	-	-	-	354,879
-	-	3,682	-	103,008	608,644
-	-	-	-	-	203,958
-	2,233	-	362	-	31,347
-	-	-	-	-	9,979
-	2,233	3,682	362	103,008	1,720,133
-	-	-	-	-	11,387
-	-	-	2,439	-	16,086
-	-	5,006	-	-	902,452
-	1,361	-	-	-	405,025
-	-	-	-	95,877	260,468
-	-	-	-	-	96,343
-	1,361	5,006	2,439	95,877	1,691,761
-	872	(1,324)	(2,077)	7,131	28,372
-	-	-	-	-	285,830
-	-	-	-	-	(124,830)
-	-	-	-	-	161,000
-	872	(1,324)	(2,077)	7,131	189,372
576	58,624	3,216	2,558	958	730,973
\$ 576	\$ 59,496	\$ 1,892	\$ 481	\$ 8,089	\$ 920,345

Concluded

## COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECTS FUNDS

	Courthouse Expansion	Capital Reserve	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 41,642	\$ -	\$ 41,642
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 280,000	\$ 280,000
<b>Fund Balances</b>			
Undesignated (deficit)	41,642	(280,000)	(238,358)
<b>Total liabilities and fund balance</b>	\$ 41,642	\$ -	\$ 41,642

**MISSAUKEE COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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	<b>Courthouse Expansion</b>	<b>Capital Reserve</b>	<b>Total</b>
<b>Revenues</b>			
Interest	\$ 1,818	\$ -	\$ 1,818
<b>Expenditures</b>			
Capital outlay	10,287	-	10,287
Revenues over (under) expenditures	(8,469)	-	(8,469)
<b>Other financing sources</b>			
Transfers out	-	95,000	95,000
<b>Net change in fund balances</b>	(8,469)	95,000	86,531
Fund balance (deficit), beginning of year	50,111	(375,000)	(324,889)
<b>Fund balance (deficit), end of year</b>	<u>\$ 41,642</u>	<u>\$ (280,000)</u>	<u>\$ (238,358)</u>



# MISSAUKEE COUNTY, MICHIGAN

## STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2006

	<b>Tax Reserve</b>	<b>Tax Reversion</b>	<b>2002 Levy</b>	<b>McBain Sanitary Sewer</b>	<b>Total</b>
<b>Current assets</b>					
Cash and cash equivalents	\$ 26,250	\$ 41,589	\$ -	\$ -	\$ 67,839
Receivables					
Accounts	-	-	-	53,663	53,663
Due from other funds	280,000	-	-	-	280,000
<b>Total current assets</b>	<b>306,250</b>	<b>41,589</b>	<b>-</b>	<b>53,663</b>	<b>401,502</b>
<b>Current liabilities</b>					
Accrued interest payable	-	-	-	663	663
Current portion of long-term debt	-	-	-	11,000	11,000
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,663</b>	<b>11,663</b>
<b>Long-term liabilities</b>					
Long-term debt, net of current portion	-	-	-	42,000	42,000
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,663</b>	<b>53,663</b>
<b>Net assets</b>	<b>\$ 306,250</b>	<b>\$ 41,589</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 347,839</b>

# MISSAUKEE COUNTY, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Tax Reserve</u>	<u>Tax Reversion</u>	<u>2002 Levy</u>	<u>McBain Sanitary Sewer</u>	<u>Total</u>
<b>Operating revenues</b>					
Intergovernmental					
Local	\$ -	\$ -	\$ -	\$ 3,588	\$ 3,588
Charges for services	-	43,615	1,885	-	45,500
<b>Total operating revenues</b>	<u>-</u>	<u>43,615</u>	<u>1,885</u>	<u>3,588</u>	<u>49,088</u>
<b>Operating expenses</b>					
Other	124	2,026	2,651	-	4,801
<b>Operating income (loss)</b>	<u>(124)</u>	<u>41,589</u>	<u>(766)</u>	<u>3,588</u>	<u>44,287</u>
<b>Nonoperating revenues (expenses)</b>					
Interest income	77,857	-	-	-	77,857
Interest expense	-	-	-	(3,588)	(3,588)
<b>Total nonoperating revenues (expenses)</b>	<u>77,857</u>	<u>-</u>	<u>-</u>	<u>(3,588)</u>	<u>74,269</u>
Operating income (loss) before transfers	<u>77,733</u>	<u>41,589</u>	<u>(766)</u>	<u>-</u>	<u>118,556</u>
<b>Transfers</b>					
Transfers in	108,902	-	-	-	108,902
Transfers out	(145,312)	-	(52,179)	-	(197,491)
Total transfers	<u>(36,410)</u>	<u>-</u>	<u>(52,179)</u>	<u>-</u>	<u>(88,589)</u>
<b>Change in net assets</b>	41,323	41,589	(52,945)	-	29,967
Net assets, beginning of year	<u>264,927</u>	<u>-</u>	<u>52,945</u>	<u>-</u>	<u>317,872</u>
<b>Net assets, end of year</b>	<u>\$ 306,250</u>	<u>\$ 41,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,839</u>

# MISSAUKEE COUNTY, MICHIGAN

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Tax Reserve	Tax Reversion	2002 Levy	McBain Sanitary Sewer	Total
<b>Cash flows from operating activities</b>					
Cash receipts from customers and users	\$ -	\$ 43,615	\$ 9,217	\$ 13,925	\$ 66,757
Cash payments for interfund services received	(15,073)	-	-	-	(15,073)
Cash payments to suppliers for goods and services	(124)	(2,026)	(2,836)	-	(4,986)
<b>Net cash provided (used) by operating activities</b>	(15,197)	41,589	6,381	13,925	46,698
<b>Cash flows from non-capital financing activities</b>					
Principal paid on long-term debt	-	-	-	(11,000)	(11,000)
Interest paid on long-term debt	-	-	-	(2,925)	(2,925)
Transfer in	108,902	-	-	-	108,902
Transfer out	(145,312)	-	(52,179)	-	(197,491)
<b>Net cash provided (used) by non-capital financing activities</b>	(36,410)	-	(52,179)	(13,925)	(102,514)
<b>Cash flows from investing activities</b>					
Interest received	77,857	-	-	-	77,857
Net increase (decrease) in cash and cash equivalents	26,250	41,589	(45,798)	-	22,041
Cash and cash equivalents, beginning of year	-	-	45,798	-	45,798
<b>Cash and cash equivalents, end of year</b>	<u>\$ 26,250</u>	<u>\$ 41,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,839</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ (124)	\$ 41,589	\$ (766)	\$ 3,588	\$ 44,287
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Changes in assets and liabilities					
Accounts receivable	-	-	50	10,337	10,387
Taxes receivable - delinquent	-	-	5,257	-	5,257
Interest receivable	-	-	2,021	-	2,021
Due from other governments	-	-	4	-	4
Due from other funds	(15,073)	-	-	-	(15,073)
Accrued liabilities	-	-	(185)	-	(185)
<b>Net cash provided by operating activities</b>	<u>\$ (15,197)</u>	<u>\$ 41,589</u>	<u>\$ 6,381</u>	<u>\$ 13,925</u>	<u>\$ 46,698</u>

MISSAUKEE COUNTY, MICHIGAN

COMBINING BALANCE SHEET  
TRUST AND AGENCY FUNDS

DECEMBER 31, 2006

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	<b>Trust and Agency</b>	<b>Library Fines</b>	<b>Inmate Trust</b>	<b>District Court Trust</b>	<b>Northern Michigan Mutual Aid Force</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 42,961	\$ 35,675	\$ 5,037	\$ 11,485	\$ 4,665	\$ 99,823
<b>Liabilities</b>						
Undistributed taxes	\$ 2,069	\$ -	\$ -	\$ -	\$ -	\$ 2,069
Undistributed collections	32,475	35,675	5,037	11,485	4,665	89,337
Court bonds payable	8,417	-	-	-	-	8,417
<b>Total liabilities</b>	\$ 42,961	\$ 35,675	\$ 5,037	\$ 11,485	\$ 4,665	\$ 99,823

MISSAUKEE COUNTY, MICHIGAN

BALANCE SHEET  
COMMISSION ON AGING  
COMPONENT UNIT

DECEMBER 31, 2006

	<u>Commission on Aging</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 24,758
Receivables	
Due from other governments	45,872
Taxes	<u>193,857</u>
<b>Total assets</b>	<u><u>\$ 264,487</u></u>
 <b>Liabilities and fund balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 3,945
Accrued wages	2,009
Deferred revenue	<u>228,676</u>
<b>Total liabilities</b>	<u>234,630</u>
 <b>Fund balance</b>	
Fund balances	
Unreserved	
Designated for subsequent years expenditures	18,000
Undesignated	<u>11,857</u>
<b>Total fund balance</b>	<u>29,857</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 264,487</u></u>

MISSAUKEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
COMMISSION ON AGING  
COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2006

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	Commission on Aging
<b>Revenues</b>	
Property taxes	\$ 209,817
Intergovernmental	
Federal	28,393
State	54,856
Charges for services	193,618
Interest	2,451
	<hr/>
<b>Total revenues</b>	489,135
<b>Expenditures</b>	
Health and welfare	<hr/> 509,596
<b>Net change in fund balance</b>	(20,461)
Fund balance, beginning of year	<hr/> 50,318
<b>Fund balance, end of year</b>	<hr/> <hr/> \$ 29,857



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

June 26, 2007

Board of Commissioners  
Missaukee County  
Lake City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of *Missaukee County, Michigan* (the "County"), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the *Missaukee County District Health Department No. 10*, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements insofar as it related to the amounts included for the *District Health Department No. 10*, a discretely presented component unit, is based on the report of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

**1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements**

Criteria:	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the government's <i>internal</i> controls.
Cause:	This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
Effect:	As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.



## 2) Recording, Processing and Summarizing Accounting Data

Criteria:	All governments are required to have in place internal controls over recording, processing, and summarizing accounting data (e.g., maintaining internal books and records).
Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the government has placed reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the government's <i>internal</i> controls.
Cause:	This condition was caused by the government's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
Effect:	As a result of this condition, the government lacks internal controls over the recording, processing, and summarizing of accounting data, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, and summarizing of accounting data, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Missaukee County in a separate letter dated June 26, 2007.

Missaukee County's responses to the findings identified in our audit are described above. We did not audit the County's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the board members, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

June 26, 2007

To the Board of Commissioners  
Missaukee County  
Lake City, Michigan

We have audited the financial statements of Missaukee County for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated March 19, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Missaukee County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Missaukee County are described in Note 1 to the financial statements. No new accounting

policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Missaukee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop accrued compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustment(s), in our judgment, indicate matters that could have a significant effect on Missaukee County's financial reporting process:

All audit entries that were posted to convert financial statements from cash basis to modified accrual basis and from modified accrual basis to full accrual basis. In other words, audit entries are required to properly account for receivables, payables, capital assets, etc.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principal to the County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

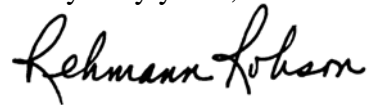
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Missaukee County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Commissioners, and if considered appropriate, management of the County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.

## MISSAUKEE COUNTY

### COMMENTS AND RECOMMENDATIONS

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In planning and performing our audit of the financial statements of *Missaukee County* as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated June 26, 2007, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated June 26, 2007, on the financial statements of *Missaukee County*.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the management and personnel for their support and assistance during the audit of *Missaukee County*.

**1) Inactive Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified expenditures. Several of the County's Special Revenue Funds did not record activity in the current year and many have not recorded activity in at least two years.

**Recommendation:**

We recommend that the County conduct an analysis of each of its Special Revenue Funds, in an effort to determine whether all of the Funds are still necessary to the County. Any funds that are not providing a benefit to the County should have their equity transferred to another fund and should be closed.

**2) Estimates Used in Year-End Accruals**

During our audit procedures related to year-end accruals, we noted that many accruals are estimated in early January to close out the fiscal year. Information received by the County after the closing of the fiscal year related to the accruals is causing significant audit adjustments to adjust the accruals to the actual amounts.

**Recommendation:**

We recommend that the County delay recording accruals until information is received to allow accurate recording of the amounts.

**3) Travel Expenditures**

During our examination of various conference and travel expenditures, we observed that County employees were reimbursed for expenditures without presenting supporting documentation or receipts for the expenditures to the Clerk's office.

**Recommendation:**

We recommend that the County require employees to submit supporting documentation for all conference and travel expenditures prior to their reimbursement.

**4) Unlawful Expenditures**

During our examination of various expenditure accounts, we observed purchases of flowers for numerous employees that were sick or retiring and purchases of a variety of food and meals for employee meetings. Per the State of Michigan Auditing Procedures Report, these are deemed unlawful expenditures of the County.

**Recommendation:**

We recommend that the County cease to make these expenditures.

**5) Veterans Trust Fund**

Two separate Veterans' programs were accounted for within the Veterans Trust Fund. This caused a reconciliation issue between the Programs. As a result, the County moved the activity of one program to an Agency Fund of the County.

**Recommendation:**

We recommend that each of the Veterans' programs be accounted for in their own special revenue fund in place of using the Agency Fund.

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

June 26, 2007

To the Board of Commissioners  
Missaukee County  
Lake City, Michigan

We have audited the financial statements of Missaukee County for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated March 19, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Missaukee County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Missaukee County are described in Note 1 to the financial statements. No new accounting

policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Missaukee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop accrued compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustment(s), in our judgment, indicate matters that could have a significant effect on Missaukee County's financial reporting process:

All audit entries that were posted to convert financial statements from cash basis to modified accrual basis and from modified accrual basis to full accrual basis. In other words, audit entries are required to properly account for receivables, payables, capital assets, etc.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principal to the County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

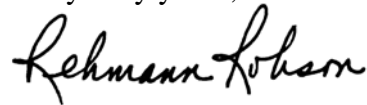
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Missaukee County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Commissioners, and if considered appropriate, management of the County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.

## MISSAUKEE COUNTY

### COMMENTS AND RECOMMENDATIONS

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In planning and performing our audit of the financial statements of *Missaukee County* as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated June 26, 2007, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated June 26, 2007, on the financial statements of *Missaukee County*.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the management and personnel for their support and assistance during the audit of *Missaukee County*.

**1) Inactive Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified expenditures. Several of the County's Special Revenue Funds did not record activity in the current year and many have not recorded activity in at least two years.

**Recommendation:**

We recommend that the County conduct an analysis of each of its Special Revenue Funds, in an effort to determine whether all of the Funds are still necessary to the County. Any funds that are not providing a benefit to the County should have their equity transferred to another fund and should be closed.

**2) Estimates Used in Year-End Accruals**

During our audit procedures related to year-end accruals, we noted that many accruals are estimated in early January to close out the fiscal year. Information received by the County after the closing of the fiscal year related to the accruals is causing significant audit adjustments to adjust the accruals to the actual amounts.

**Recommendation:**

We recommend that the County delay recording accruals until information is received to allow accurate recording of the amounts.

**3) Travel Expenditures**

During our examination of various conference and travel expenditures, we observed that County employees were reimbursed for expenditures without presenting supporting documentation or receipts for the expenditures to the Clerk's office.

**Recommendation:**

We recommend that the County require employees to submit supporting documentation for all conference and travel expenditures prior to their reimbursement.

**4) Unlawful Expenditures**

During our examination of various expenditure accounts, we observed purchases of flowers for numerous employees that were sick or retiring and purchases of a variety of food and meals for employee meetings. Per the State of Michigan Auditing Procedures Report, these are deemed unlawful expenditures of the County.

**Recommendation:**

We recommend that the County cease to make these expenditures.

**5) Veterans Trust Fund**

Two separate Veterans' programs were accounted for within the Veterans Trust Fund. This caused a reconciliation issue between the Programs. As a result, the County moved the activity of one program to an Agency Fund of the County.

**Recommendation:**

We recommend that each of the Veterans' programs be accounted for in their own special revenue fund in place of using the Agency Fund.

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